



**Health Services**  
LOS ANGELES COUNTY

**Los Angeles County  
Board of Supervisors**

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**John F. Schunhoff, Ph.D.**  
Interim Director

**Robert G. Splawn, M.D.**  
Interim Chief Medical Officer

313 N. Figueroa Street, Suite 912  
Los Angeles, CA 90012

Tel: 213-240-8101  
Fax: 213-481-0503

[www.dhs.lacounty.gov](http://www.dhs.lacounty.gov)

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November 3, 2009

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**APPROVAL OF AMENDMENTS TO THREE FINANCIAL  
MANAGEMENT SERVICES AGREEMENTS  
(ALL SUPERVISORIAL DISTRICTS)  
(3 VOTES)**

**SUBJECT**

Request approval of amendments to increase the maximum negotiated contingent fee for services provided pursuant to agreements with Apollo Health Street, Inc. (Apollo) for Commercial Insurance Billing Services and USCB, Inc. for Medicare Bad Debt Recovery Services and to extend the term of the Agreement with USCB, Inc. for Delinquent Account Collection Agency Services.

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Authorize the Interim Director of Health Services (Interim Director), or his designee, to execute Amendment No. 1 to the Financial Management Services Agreement No. H-703466 with Apollo effective upon execution to increase the maximum negotiated contingent fee paid to Apollo from 6.44 percent up to 14 percent of payments received by the County from Commercial Insurance Billing Services (CIBS) insurance plan itemized billing requirements for CIBS and to accommodate any changes to the required services, subject to County Counsel and Chief Executive Office approval.
2. Authorize the Interim Director, or his designee, to execute Amendment No. 1 to the Financial Billing and Recovery Services Agreement No. H-702058 with USCB, Inc., effective upon execution to increase the maximum contingent fee paid to USCB, Inc. from 10 percent to 20 percent of payments received only from the Medicare Bad Debt Recovery Services (MBDRS) as compensation for meeting new Centers for Medicare and Medicaid (CMS) requirements.

3. Authorize the Interim Director, or his designee, to execute Amendment No. 1 to the Delinquent Account Collection Agency Services (DACAS) Agreement No. H-703023 with USCB, Inc., to extend the term of the Agreement effective January 1, 2010 through December 31, 2010.

### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS**

Approval of the first recommendation will allow the Interim Director to execute an Amendment, substantially similar to Exhibit I, to negotiate any changes to the contingency fees paid to Apollo within the stated maximum rates. Under the Agreement with Apollo, some insurance plans are requiring itemized billing that was not previously required. The Department of Health Services (DHS) needs the flexibility to be able to negotiate the commercial insurance contingency fee rates to accommodate any changes in billing requirements that Apollo must comply with. Any changes in contingency fees will be approved by County Counsel via a formal Change Notice.

Approval of the second recommendation will allow the Interim Director to execute an Amendment, substantially similar to Exhibit II, to increase compensation to USCB, Inc. as a result of additional documentation for MBDRS required of DHS by the fiscal intermediary for CMS.

Approval of the third recommendation will allow the Interim Director to execute an Amendment, substantially similar to Exhibit III, to extend the current Agreement with USCB, Inc. for DACAS that expires December 31, 2009. The extension through December 31, 2010 will allow the completion of a pilot project with Treasurer Tax Collector (TTC) to evaluate secondary collection efforts.

The Chief Executive Office, TTC and DHS have met to assess how to maximize revenues from delinquent self-pay accounts after the best efforts of County staff have been exhausted. As a result of these meetings, a pilot project is being conducted to test secondary collection efforts of delinquent self-pay accounts referred to TTC's Outside Collection Agency. This will allow DHS to implement the best option to maximize revenues from DACAS in the future.

### **Implementation of Strategic Plan Goals**

The recommended actions support Goal 1, Operational Effectiveness, and Goal 4, Health and Mental Health, of the County's Strategic Plan.

### **FISCAL IMPACT/FINANCING**

Apollo and USCB, Inc. receive contingency fees for financial management services based on actual collections. The recommended actions will allow DHS to increase the percentage of contingency fees, paid only for the itemized billings that are now required by some insurance plans, from 6.44 percent to a negotiated and not to exceed maximum of 14 percent for CIBS, and 10 percent to 20 percent of payments received for MBDRS. For plans within CIBS that do not require itemized billings for CIBS, the negotiated rate of 6.44 percent will remain in effect.

#### **Apollo for CIBS**

In Fiscal Year (FY) 2008-09, Apollo generated an estimated \$23 million in annual revenue for CIBS. Estimated contingency fees paid to Apollo for CIBS are \$1.5 million at a contingency fee rate of 6.44 percent. Net revenues collected by DHS after contingency payment to Apollo is approximately \$21.5 million. With this amendment, contingency fees paid to Apollo for the itemized billing portion of the CIBS is estimated to increase by \$800,000.

#### **USCB, Inc. for MBDRS**

In FY 2008-09, MBDRS revenues totaled \$16,183. Contingency fees were paid to USCB, Inc. at a rate of 10 percent. Net revenues collected by DHS after contingency payment to USCB, Inc. were \$14,565.

Funding is included in the DHS' FY 2009-10 Final Budget and will be requested in future fiscal years. The estimated increases for both vendors will be funded from the amount of revenues received by the County as a direct result of contractor services. Therefore, there is no impact on County cost.

#### **USCB, Inc. for DACAS**

Based on the actual collections for FY 2008-09, USCB, Inc. generated an estimated \$11.8 million in gross revenues annually for DACAS, of which approximately \$2.1 million was deducted for fees. USCB, Inc. is compensated solely from the collections they receive on behalf of DHS. Therefore additional funding is not required.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

#### **Apollo for CIBS**

On August 19, 2008, your Board approved an agreement with Apollo for a wide range of financial services including CIBS, Medi-Cal Billing and Follow-up Services, Financial

Management and Consulting Services, and Secondary Third-Party Resource Identification and Recovery Services at DHS hospitals, comprehensive health centers, health centers, and multi-service ambulatory care centers to maximize revenue recovery. Apollo continues to work closely with DHS to develop, maintain and enhance the data capture, processing and claiming programs to comply with the very unique and frequently changing requirements of the County.

As part of DHS' financial stabilization efforts, DHS negotiated with Apollo to reduce the inpatient CIBS rate for LAC+USC Medical Center (LAC+USC) from 6.44 percent to 3.75 percent effective July 1, 2009, which is estimated to save the County \$600,000 annually. In order to provide an incentive for Apollo to improve CIBS in a FY, DHS needs to be able to increase the contingency fee rate to a maximum of 14 percent if Apollo can exceed the amount collected for LAC+USC for FY 2007-08 of \$18.8 million.

The Agreement includes provisions for termination, with or without cause, upon giving 90 days notice.

Since some insurance plans have begun to require itemized billing, a time consuming process, an increase in the contingency rate for these services only is needed. There is no change to the agreement expiration date of August 31, 2012.

#### USCB, Inc. for MBDRS

On July 1, 2006, DHS entered into a replacement Agreement with USCB, Inc. under delegated authority approved by your Board in December 2005. One of the services provided under this agreement is MBDRS, which requires USCB, Inc. to develop and maintain an integrated database to identify and process Medicare billing and collection information, i.e., the amount of bad debts associated with unpaid co-insurance and deductibles, and produce auditable Medicare Bad Debt (MBD) reports. The payment of MBD is dependent upon CMS' fiscal intermediary review and audit for disallowances.

Due to the level of information now required by CMS' fiscal intermediary and documentation required by the fiscal intermediary auditor, USCB, Inc. has made changes in order for the MBD reports to be auditable on a go forward basis. As a result of the additional information and documentation required by CMS, an increase in the MBDRS' contingency rate is needed to cover USCB, Inc.'s costs in providing these additional services. There is no change to the agreement expiration date of June 30, 2011.

The Agreement includes provisions for termination, with or without cause, upon giving 30 days notice.

The Honorable Board of Supervisors  
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USCB, Inc. for DACAS

In February 2001, the County contracted with USCB, Inc. for the provision of DACAS, following a competitive solicitation conducted by TTC. However, the agreement excluded the routine processing of DHS accounts, therefore DHS contracted with USCB, Inc. as a sole source agreement approved by your Board on May 15, 2001. On December 11, 2007, your Board approved a replacement agreement with USCB, Inc., effective January 1, 2008 through December 31, 2009. An extension to the current Agreement will allow sufficient time for the completion of the pilot project and subsequent release of Request for Proposals.

The Agreement includes provisions for termination, with or without cause, upon giving 30 days notice.

County Counsel has reviewed and approved Exhibits I, II, and III as to form.

**CONTRACTING PROCESS**

Not applicable.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Board approval will ensure continued revenue services for the County.

Respectfully submitted,



John F. Schunhoff, Ph.D.  
Interim Director

JFS:lg

Attachments (3)

c: Chief Executive Officer  
Acting County Counsel  
Executive Officer, Board of Supervisors  
Auditor Controller

**FINANCIAL MANAGEMENT SERVICES AGREEMENT**

**AMENDMENT NO. 1**

THIS AMENDMENT is made and entered into this \_\_\_\_\_ day  
of \_\_\_\_\_, 2009,

by and between

COUNTY OF LOS ANGELES  
(hereinafter "County"),

and

APOLLO HEALTH STREET, INC.  
(hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled  
"FINANCIAL MANAGEMENT SERVICES AGREEMENT", dated September 1,  
2008, and further identified as County Agreement No. H-703466, (hereafter  
referred to as "Agreement" or "Contract"); and

WHEREAS, it is the intent of the parties hereto to amend Agreement to  
provide for the changes set forth herein; and

WHEREAS, Agreement provides that changes to its terms may be made  
in the form of a written Amendment which is formally approved and executed by  
the parties.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. This Amendment shall commence upon the Board's approval.
2. Schedule A, County of Los Angeles, Apollo Agreement, Fee Schedule  
Maximum Amounts, shall be replaced in its entirety by Schedule A-1, attached  
hereto and incorporated herein by reference.
3. Except for the changes set forth hereinabove, Agreement shall not be  
changed in any respect by this Amendment.

IN WITNESS WHEREOF, Contractor has caused this Amendment to be duly executed in its behalf by its duly authorized officer and the County of Los Angeles, by order of its Board of Supervisors has caused this Amendment to be executed on its behalf by the Director of Health Services thereof, the day and year first above written.

COUNTY OF LOS ANGELES

By \_\_\_\_\_  
John F. Schunhoff, Ph.D.  
Interim Director

\_\_\_\_\_  
Contractor

By \_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

Title \_\_\_\_\_

APPROVED AS TO FORM  
Acting County Counsel, Robert Kalunian  
County Counsel

COUNTY OF LOS ANGELES  
 APOLLO AGREEMENT  
 FEE SCHEDULE MAXIMUM AMOUNTS  
 FOR EXHIBIT A PROVISIONS 6.A.SECONDARY THIRD-PARTY RESOURCE IDENTIFICATION AND RECOVERY SERVICES, 6.B.BILLING  
 AND FOLLOW-UP SERVICES, AND 6.C.FINANCIAL MANANGEMENT SERVICES

CONTRACT PROVISION	MEDI-CAL	MEDICARE	Crossover Medi-Cal Portion	INSURANCE	ALL OTHER PAYORS
6.A. Secondary Third- Party Resource Identification and Recovery Services (STPRIR)	No greater than: \$345 per I/P paid day, \$28 per O/P paid visit	No greater than 25% of payments received	No greater than: \$173 per I/P paid claim, \$14 per O/P paid claim	No greater than 25% of payments received	No greater than 25% of payments received
6.B. Billing and Follow-Up Services	No greater than \$5 for each paid claim	No greater than \$5 for each paid claim	No greater than \$5 for each paid claim	No greater than \$5 for each paid claim	No greater than \$5 for each paid claim
6.C. Financial Management Services (FMS)	No greater than: \$86 per I/P paid day, \$14 per O/P paid visit	No greater than 15.5% of payments received	No greater than: \$86 per I/P paid claim, \$7 per O/P paid claim	No greater than 14% of payments received	No greater than 15.5% of payments received

## Notes:

I/P = Inpatient

O/P = Outpatient

6.A.STPRIR and 6.C. FMS there is a CAP of \$19,500 per paid account.



**FINANCIAL BILLING AND RECOVERY SERVICES AGREEMENT  
AMENDMENT NO. 1**

THIS AMENDMENT is made and entered into this \_\_\_\_\_ day  
of \_\_\_\_\_, 2009,

by and between

COUNTY OF LOS ANGELES  
(hereinafter "County"),

and

USCB, INC.  
(hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled  
"FINANCIAL BILLING AND RECOVERY SERVICES AGREEMENT", dated July  
1, 2006, and further identified as County Agreement No. H-702058, (hereafter  
referred to as "Agreement" or "Contract"); and

WHEREAS, it is the intent of the parties hereto to amend Agreement to  
provide for the changes set forth herein; and

WHEREAS, Agreement provides that changes to its terms may be made  
in the form of a written Amendment which is formally approved and executed by  
the parties.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. This Amendment shall commence upon the Board's approval.
2. Exhibit A, Provision for payment, Paragraph 7.B – Fee Computation for  
MRDRS, shall be amended to the Agreement to read as follows:

"B. Contractor shall be paid on a contingent fee basis for Medicare Bad  
Debt Recovery Services provided to the County pursuant to Exhibit A,  
(Statement of Work), Paragraph 5.B (MBDRS). The contingency fee  
payable to Contractor with respect to MBDRS shall be negotiated by the  
Director and the Contractor but shall not, over the term of agreement, be  
greater than twenty percent (20%) of the incremental Medicare Bad Debt  
settlement payments received by the County as a direct result of  
Contractor's effort."

3. Except for the changes set forth hereinabove, Agreement shall not be changed in any respect by this Amendment.

IN WITNESS WHEREOF, Contractor has caused this Amendment to be duly executed in its behalf by its duly authorized officer and the County of Los Angeles, by order of its Board of Supervisors has caused this Amendment to be executed on its behalf by the Director of Health Services thereof, the day and year first above written.

COUNTY OF LOS ANGELES

By \_\_\_\_\_  
John F. Schunhoff, Ph.D.  
Interim Director

\_\_\_\_\_  
Contractor

By \_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

Title \_\_\_\_\_

APPROVED AS TO FORM  
Acting County Counsel, Robert Kalunian  
County Counsel

DELINQUENT ACCOUNT COLLECTION AGENCY SERVICES AGREEMENT

AMENDMENT NO. 1

THIS AMENDMENT is made and entered into this \_\_\_\_\_ day  
of \_\_\_\_\_, 2009,

by and between

COUNTY OF LOS ANGELES  
(hereafter "County"),

and

USCB, INC.,  
(hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled "AGREEMENT FOR DELINQUENT ACCOUNT COLLECTION AGENCY SERVICES", dated January 1, 2008, and further identified as County Agreement No. H-703023, and any amendments there to (hereafter "Agreement"); and

WHEREAS, it is the intent of the parties hereto to amend the Agreement to reflect changes described hereinafter; and

WHEREAS, said Agreement provides that changes may be made in the form of a written amendment which is formally approved and executed by both parties.

NOW THEREFORE, the parties hereby agree as follows:

1. This Amendment shall become effective upon the date of its approval by the County's Board of Supervisors.

2. Subject to the termination provisions of the Agreement, this Agreement shall continue in full force and effect to and including December 31, 2010.

3. Contractor may be authorized to initiate a compromise settlement of assigned

delinquent self-pay accounts in accordance with County's Financial Practice 530.15, "Compromises on Patient Account Liability" up to the greater of \$25,000 or 50% of the account's balance, whichever is less.

4. County may designate accounts for processing based on County and Contractor mutually agreeing to established protocols or by referral of accounts as "Special" Accounts. Contingent fees on these accounts shall be set by the Director with the written approval of the Contractor, but shall be equal to or reduced from the contingent fees on regularly referred accounts. These Special Accounts shall be subject to the terms and conditions set forth in the agreement, with any exception or additional terms set forth in writing by the Director. The written approval of reduced contingent fees by the Contractor for any and all Special Accounts shall become part of the Agreement.

5. Contractor shall process all accounts in Contractor's inventory that have been assigned by Director to Contractor prior to the time of expiration of this Agreement, unless the Agreement is sooner terminated with or without cause by County. Contractor shall complete the processing of such accounts and make every effort to expedite close-out. Contractor shall be reimbursed at the same rates as stated in the agreement. Contractor shall complete the processing of all approved accounts in accordance with the terms and conditions of this Agreement, as well as any reports.

6. Except for the changes set forth herein above, Agreement shall not be changed in any respect by this Amendment.

IN WITNESS WHEREOF, Contractor has caused this Amendment to be duly executed in its behalf by its duly authorized officer and the County of Los Angeles, by order of its Board of Supervisors has caused this Amendment to be executed on its behalf by the Director of Health Services thereof, the day and year first above written.

COUNTY OF LOS ANGELES

By \_\_\_\_\_  
John F. Schunhoff, Ph.D.  
Interim Director

\_\_\_\_\_  
Contractor

By \_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

Title \_\_\_\_\_

APPROVED AS TO FORM  
Acting County Counsel, Robert Kalunian  
County Counsel